

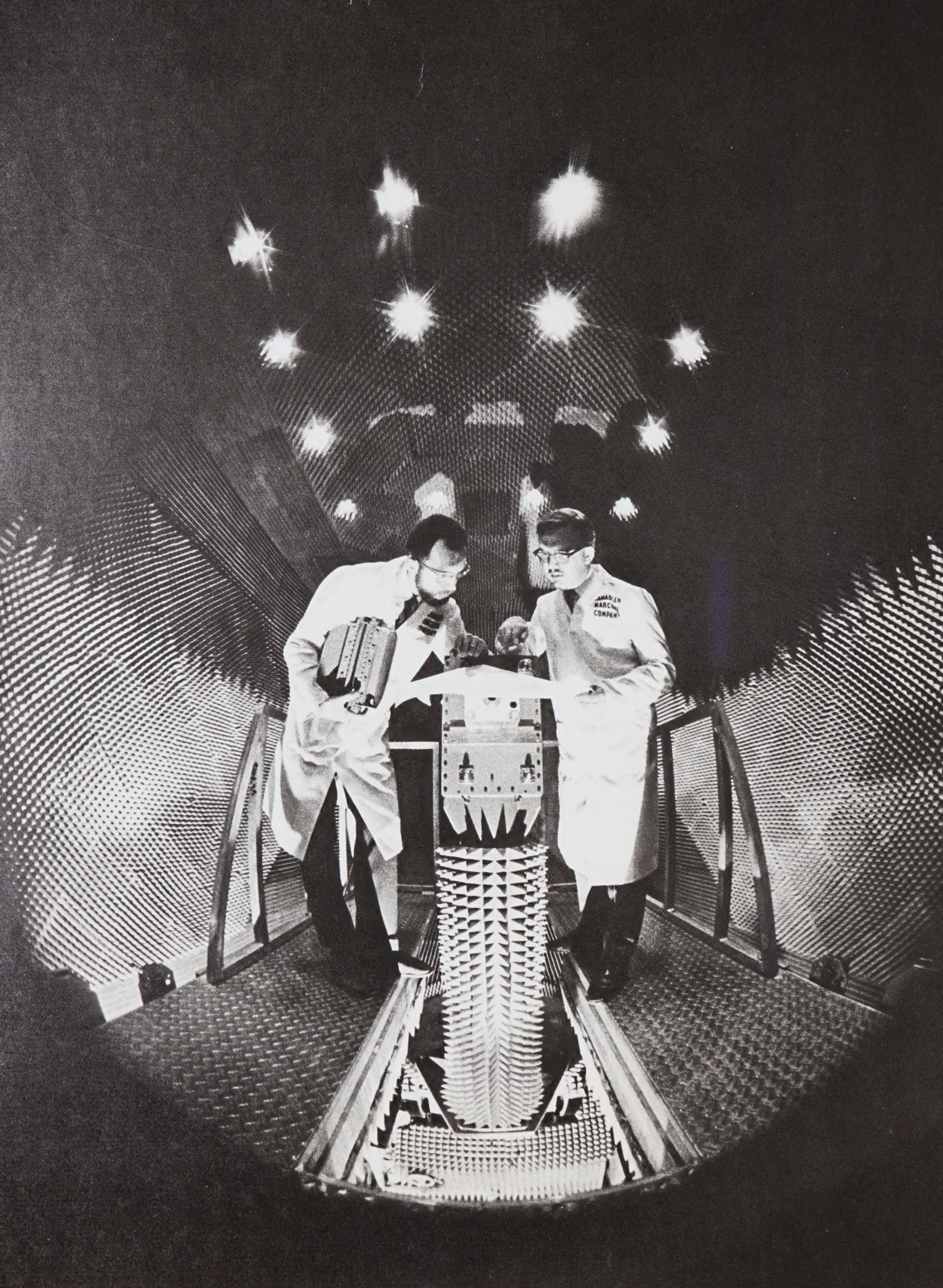
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**CANADIAN
MARCONI
COMPANY**

67 TH ANNUAL REPORT 1969



FIRST NAME IN RADIO-ELECTRONICS



CANADIAN MARCONI COMPANY

HEAD OFFICE AND PLANT: 2442 TRENTON AVENUE, MONTREAL 301, QUEBEC, CANADA

DIRECTORS

C. E. Bélanger, C.A.
Senior Partner — Bélanger, Saint-Jacques, Sirois, Comtois & Cie
Sherbrooke, Canada

J. A. Boyd
Vice-Chairman, Canadian Marconi Company
Toronto, Canada

L. M. Daley
President and Chief Executive Officer, Canadian Marconi Company
Montreal, Canada

S. M. Finlayson
Chairman, Canadian Marconi Company
Montreal, Canada

H. Hansard, Q.C.
Senior Partner, Ogilvy, Cope, Porteous, Hansard, Marler,
Montgomery & Renault
Montreal, Canada

The Hon. A. K-Hugessen, Q.C.
Counsel, Smith, Davis, Anglin, Laing, Weldon & Courtois
Montreal, Canada

H. J. Lang
Chairman and President, Canron Limited
Montreal, Canada

E. O. Herzfeld
Director of Contracts, The General Electric and English
Electric Companies Limited
London, England

J. G. Notman, O.B.E.
Director, Canadair Limited
Montreal, Canada

I. D. Sinclair, Q.C.
President and Chief Executive Officer, Canadian Pacific
Railway Company
Montreal, Canada

R. Telford, C.B.E.
Managing Director, GEC - Marconi Electronics Limited
Managing Director, The Marconi Company Limited
London, England

OFFICERS

S. M. Finlayson
Chairman

L. M. Daley
President and Chief Executive Officer

W. Baillie
Vice President — Products and Markets

R. R. Lanthier
Vice President — Finance and Treasurer

J. A. Howlett
Vice President — Organization and Personnel

C. W. Perry
Vice President — Corporate Affairs and Secretary

K. C. M. Glegg
Vice President — Avionics Division

D. W. G. Martz
Vice President — Broadcasting Division

H. A. Hamilton, Ph.D.
Vice President — Marine and Land Communications Division

R. MacLeod
Vice President — Special Services Division

F. R. Reeves
Vice President — Specialized Components Division

J. W. Dodds, Ph.D.
Vice President — Telecommunications Division

REGISTRAR

Montreal Trust Company
Montreal, Canada

TRANSFER AGENT

Canada Permanent Trust Company
600 Dorchester Blvd. West, Montreal, Canada

AUDITORS

Price Waterhouse & Co.
Montreal, Canada

BANKERS

Royal Bank of Canada
First National City Bank

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The Annual General Meeting of Shareholders will be held at the Company's Head Office in the City of Montreal, 380 Aberdare Road entrance, on Tuesday morning, April 21st, 1970 at 11:00 o'clock.

Pour obtenir un exemplaire en français de notre rapport annuel, veuillez écrire au secrétaire, Canadian Marconi Company, 2442 Trenton, Montréal 301, Qué., Canada

FINANCIAL HIGHLIGHTS

	1969	1968	1967	1966	1965
Sales and revenues	\$82,055,000	69,911,000*	66,138,000*	60,097,000*	59,783,000*
Income from operations	8,446,000	2,019,000*	8,542,000*	10,840,000*	9,772,000*
Depreciation and amortization	2,191,000	2,145,000	2,540,000	2,483,000	1,939,000
Net income	841,000	(4,299,000)	26,000	1,631,000	2,236,000
Number of shares issued	5,943,192	5,943,192	5,943,192	5,402,902	5,402,902
Net income per share14	—	—	.30	.41
Dividends	—	297,000	594,000	540,000	810,000
Dividends per share	—	.05	.10	.10	.15
Shareholders' equity	15,742,000	14,900,000	18,818,000	17,406,000	17,016,000
Shareholders' equity per share	2.65	2.50	3.17	3.22	3.15
Working capital	10,463,000	8,227,000	13,112,000	8,808,000	12,819,000

*restated — see note 8



DIRECTORS' REPORT TO SHAREHOLDERS:

The serious setback your Company experienced in 1968 gave rise to re-examination of all aspects of our business, the results of which are beginning to emerge. 1969 can thus be described as a year of partial recovery and one of consolidation.

Sales and revenues reached an all-time peak of \$82,055,000 compared with a restated figure of \$69,911,000 in 1968 (see Note 8 to the accounts), and profit before income taxes was in excess of \$2 million in 1969 compared to a loss of over \$4.8 million in 1968. Working capital has increased during 1969 by more than \$2 million as against a drop of nearly \$5 million in 1968 and your Company's indebtedness to bankers, which had reached some \$19 million at the end of 1968, was below \$10 million at the end of 1969.

Over the many years of your Company's history, its business has undergone a number of major changes and, at the present time, it can be said to be divided between the manufacture and servicing of sophisticated electronic products on the one hand and the operation of television and broadcasting stations on the other. It is clear to us now that it is in the best interest of shareholders to concentrate our resources in future into our main field of activity, particularly bearing in mind the trend towards increasing complexity of systems and the anticipated growth of volume in the electronic capital goods fields in which we are engaged. Therefore, with the agreement of shareholders expressed at a Special General Meeting last October, we accepted an offer from Bushnell Communications Limited to purchase the assets of our Broadcasting Division, which includes television station CFCF-TV and radio stations CFCF-AM, CFQR-FM and CFCX shortwave. Of the price of over \$22 million, a deposit of \$2 million has been received and is shown separately in the balance sheet. The sale is subject to conditions including the transfer of the licences which requires the prior approval of the Canadian Radio-Television Commission and it is expected that the Hearing, at which such transfer is to be considered, will be held some time during the second quarter of 1970.

In putting this proposal to you last October, we were mindful of the fact that in so doing we were aligning ourselves more closely with the business of our principal shareholder, the General Electric and English Electric Companies Group of England, itself the result of mergers of the three principal electrical manufacturing companies in the U.K. In our field of endeavour, there are many opportunities for close co-operation in the future to the mutual advantage of both parties, and a promising pattern of collaboration is developing. The disposal of the Broadcasting Division, if approved, will liquidate our bank indebtedness and provide an adequate financial basis for future growth.

Your Chairman, S. M. Finlayson, vacated the position of Chief Executive Officer during 1969, and L. M. Daley, President, was appointed Chief Executive Officer. The divisional structure of the manufacturing side of your Company was re-examined and the Commercial Products Division was reorganized into three new divisions: Avionics, Telecommunications and Specialized Components. K. C. M. Glegg, J. W. Dodds and F. R. Reeves were appointed Vice Presidents in charge of these new divisions whose activities are set out in greater detail in an Appendix to this report. W. Baillie, who hitherto headed the Commercial Products Division, became Vice President in charge of Products and Markets; and C. W. Perry, Company Secretary, became Vice President of Corporate Affairs and Secretary.

The provisions against estimated contract losses set up last year proved adequate but left a fair volume of work to be done during

1969 at no profit. Our hopes of profiting from follow-on quantities under the F-111D programme, referred to in last year's report, were not realized and the follow-on option was cancelled. This, of course, is fully reflected in the 1969 results.

During 1969 the necessary reorganization of the Marine and Land Communications Division and of the Kaar Electronics Corporation of the U.S. (which is a sub-division of that division) was carried into effect and resulted in substantial savings. However, sales in this field were somewhat below expectations and this, coupled with a reappraisal of the inventory, meant that Kaar in 1969 again traded at a material loss which, in the consolidated figures, detracts from your Company's performance elsewhere. All other activities were profitable.

Overall, we have substantially improved our operating efficiency, aided by tight financial control procedures, and the substantially increased sales of 1969 were achieved with an average personnel slightly lower than the average of 1968. This efficiency drive has particularly resulted in better utilization of assets and management of cash, thus contributing to the great improvement in the Company's liquidity.

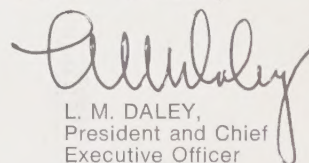
These measures can only be regarded as the beginning of a process designed to raise your Company's performance in the shortest possible time to one of satisfactory profitability in relation to capital employed. In terms of business opportunities and product policy, we hope to benefit from the closest collaboration with our parent Company, to which reference is made above. While in the present condition of the United States market, particularly in the aviation and general defence field on which we depend in substantial though declining measure, any prediction must be more than usually hazardous, we shall be disappointed if the current year does not take us a substantial step towards our long-term profit goal. In this connection, it is reassuring to find that, after giving effect to the partial cancellation of equipment for the F-111D, our backlog at the end of 1969 was — at just under \$40 million — substantially unchanged from the previous year.

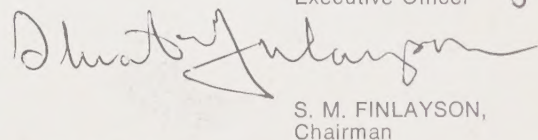
The loss in our U.S. operation naturally had an adverse effect on the ratio of tax provisions to consolidated pre-tax earnings, and our net earnings were thus reduced to \$841,000. As the rebuilding of our financial strength has only just begun, we did not declare a dividend in respect of 1969.

During the year, Lord Nelson of Stafford, a Director of your Company for many years, resigned from the Board following his appointment as Chairman of the enlarged parent Group and we wish to record our appreciation of his services to our Company. Mr. E. O. Herzfeld, a senior executive of our parent Company, was appointed in his place.

The Directors wish to record appreciation of the loyal and efficient service of more than four thousand employees.

On behalf of the Board,


L. M. DALEY,
President and Chief
Executive Officer


S. M. FINLAYSON,
Chairman

February 25, 1970
Canadian Marconi Company
Montreal, Quebec





The Management Committee. Right to left: L. M. Daley, R. R. Lanthier, W. Baillie, J. A. Howlett, C. W. Perry.

MANAGEMENT

As indicated in the Directors' report, a substantial reorganization of our management structure took place during 1969. Under the President and Chief Executive Officer, there are four Corporate Vice Presidents charged with the following responsibilities:

Finance,
Products and Markets,
Organization and Personnel, and
Corporate Affairs.

As the result of the creation of new divisions during the year, the divisional structure is now as follows: Avionics, Telecommunications, Specialized Components, Marine & Land Communications, Special Services and Broadcasting.

The President and the four Corporate Vice Presidents constitute a Management Committee which has primary responsibilities for co-ordinating long-range business planning and decision-making on strategic investments in collaboration with the Vice Presidents in charge of the operating divisions. In addition, the Management Committee continually monitors the annual plans, budgets and operating results of these divisions. Through centralized financial management and integrated information systems, tighter control is being exercised by both corporate and divisional management to establish an internal business environment that is effective and efficient.

Having thus strengthened the base for current operations, the Company is now in a position to pursue its long-term goals so as to provide a satisfactory and increasing return to shareholders from its operations. Its management structure and organization is kept under constant review to ensure that it is adapted to the developing needs.

**CANADIAN MARCONI
COMPANY
AND SUBSIDIARY
COMPANIES**



**CONSOLIDATED
BALANCE SHEET**

Assets	December 31	
	1969	1968
Current assets:		
Cash	\$ 253,440	\$ 313,607
Accounts receivable (Note 2)	18,139,436	20,721,980
Inventories (Note 2)	12,006,264	14,362,688
Prepaid expenses	1,502,319	1,741,627
	<u>31,901,459</u>	<u>37,139,902</u>
Sundry assets:		
Deferred accounts receivable	244,110	327,724
Investments in and advances to associated companies, at cost less amounts written off	203,927	187,370
	<u>448,037</u>	<u>515,094</u>
Fixed assets:		
Land, buildings and equipment, at cost	28,871,552	28,495,785
Less: Accumulated depreciation	14,657,051	13,195,595
	<u>14,214,501</u>	<u>15,300,190</u>
	<u>\$46,563,997</u>	<u>\$52,955,186</u>
Approved on behalf of the Board:		
L. M. Daley, Director		
S. M. Finlayson, Director		

AUDITORS' REPORT

To the Shareholders of
Canadian Marconi Company:

We have examined the consolidated balance sheet of Canadian Marconi Company and subsidiary companies as at December 31, 1969 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, after giving retroactive effect to the change in accounting for revenues and expenditures of certain long-term contracts referred to in Note 8.

PRICE WATERHOUSE & CO.
Chartered Accountants

February 9, 1970

	December 31	
	1969	1968
Liabilities and Capital		
Current liabilities:		
Bank loans and acceptances (secured - Note 3)	\$ 9,244,054	\$19,037,543
Accounts payable and accrued liabilities	9,337,998	9,801,932
Accrued income taxes (Note 5)	790,000	—
Sales and excise taxes payable	66,165	73,263
Advance payment under agreement for sale of Broadcasting Division (Note 4)	2,000,000	—
	<u>21,438,217</u>	<u>28,912,738</u>
Deferred income taxes (Note 5)	400,000	—
Long-term debt (Note 6):		
5¾% unsecured sinking fund debentures, series A, due May 1, 1988	5,600,000	5,700,000
7% unsecured sinking fund debentures, series B, due June 1, 1989	3,384,000	3,442,000
	<u>8,984,000</u>	<u>9,142,000</u>
Capital:		
Capital stock -		
Authorized -		
7,500,000 shares of \$1 each		
Issued -		
5,943,192 shares	5,943,192	5,943,192
Contributed surplus	4,272,403	4,272,403
Retained earnings (Note 7)	5,526,185	4,684,853
	<u>15,741,780</u>	<u>14,900,448</u>
Contingent liability:		
Notes and accounts receivable discounted	\$4,020,400	
	<u>\$46,563,997</u>	<u>\$52,955,186</u>

CONSOLIDATED STATEMENT OF INCOME

	Year ended December 31	
	1969	1968 (Note 8)
Sales and revenues	\$82,055,000	\$69,911,000
Income from operations before the charges shown below (Notes 2 and 10)	\$ 8,446,298	\$ 2,019,323
Research and development (net of recoveries)	2,317,211	2,753,028
Depreciation	2,191,079	2,145,337
Interest (Note 9)	1,906,676	1,960,276
	6,414,966	6,858,641
Income (loss) before income taxes	2,031,332	(4,839,318)
Provision for income taxes currently payable (Note 5)	420,000	—
	1,611,332	(4,839,318)
Provision for deferred income taxes (Note 5) (reduction in 1968)	770,000	(540,000)
Net income (loss)	\$ 841,332	(\$ 4,299,318)

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	Year ended December 31	
	1969	1968
Retained earnings, beginning of year	\$ 4,684,853	\$ 8,602,561
Add:		
Net income	841,332	—
Income tax provisions of prior years no longer required	—	678,770
	5,526,185	9,281,331
Deduct:		
Net loss	—	4,299,318
Dividends — 5 cents per share (1968)	—	297,160
	—	4,596,478
Retained earnings, end of year (Note 7)	\$ 5,526,185	\$ 4,684,853

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	Year ended December 31	
	1969	1968
Source of funds:		
Operations –		
Net income	\$ 841,332	\$ —
Add:		
Depreciation	2,191,079	2,145,337
Deferred income taxes	400,000	—
	3,432,411	2,145,337
Income tax provisions of prior years no longer required	—	678,770
Decrease in sundry assets	67,057	68,813
Decrease in working capital	—	4,884,384
	<u>\$3,499,468</u>	<u>\$ 7,777,304</u>
Application of funds:		
Net loss	\$ —	\$ 4,299,318
Additions to fixed assets (net)	1,105,390	3,022,826
Repayment of long-term debt	158,000	158,000
Dividends	—	297,160
Increase in working capital	2,236,078	—
	<u>\$ 3,499,468</u>	<u>\$ 7,777,304</u>

NOTES

Note 1 — PRINCIPLES OF CONSOLIDATION:

The consolidated financial statements include the accounts of Canadian Marconi Company and its subsidiary companies, all of which are wholly-owned. The only operating subsidiary is Kaar Electronics Corporation, which is engaged in the manufacture, sale and leasing of marine and land communications equipment in the United States. The accounts of that company have been translated into Canadian dollars at the rate of Cdn. \$1.08 to the U.S. dollar. This rate has not changed materially since inception of the company.

Note 2 — INVENTORIES: Inventories may be summarized as follows:

	1969	1968
Contracts and other work, in progress, at cost, less provision for anticipated losses	\$ 4,709,641	\$ 6,390,100
Raw materials, at cost, not in excess of market	1,501,408	1,424,199
Finished products, at lower of cost or net realizable value ..	5,795,215	6,548,389
	<u>\$12,006,264</u>	<u>\$14,362,688</u>

Profits on major long-term contracts, principally those over \$100,000, are recorded on a stage of completion basis, based on the ratio of incurred costs to date to the projected total costs of completing the contracts. Accrued profits are included in accounts receivable in the accompanying balance sheet. Full provision has been made for anticipated losses.

Note 3 — BANK LOANS AND ACCEPTANCES:

Bank loans and acceptances are secured by assignment of receivables and by an undertaking to pledge inventories, if required.

Note 4 — AGREEMENT FOR SALE OF BROADCASTING DIVISION:

On November 7, 1969, the company accepted an offer from Bushnell Communications Limited to purchase the assets of the Broadcasting Division for \$22,710,000 cash, of which \$2,000,000 has been received as an advance payment and is shown separately in the balance sheet. The transfer of licences is subject to the approval of the Canadian Radio-Television Commission and the proposed sale is not therefore reflected in the financial statements except to the extent of the advance payment.

Note 5 — INCOME TAXES: Consolidated income before income taxes has been reduced

by the loss of the company's U.S. subsidiary, which cannot be deducted from the parent company's taxable income. The provision for income taxes currently payable, which has been reduced by \$1,310,000 by application of the loss suffered in 1968 against 1969 taxable income, is therefore based on the income of the parent company. In addition, the company has provided \$770,000 for income taxes deferred by reason of timing differences between accounting and taxable income, of which \$370,000 arises from short-term deferrals and is included in accrued income taxes in the accompanying balance sheet.

Note 6 — LONG-TERM DEBT: Sinking fund provision of the series A and B debentures require annual payments aggregating \$158,000 in 1970, \$208,000 in 1971, and \$237,000 in 1972, 1973 and 1974. In 1969, debentures having a face value of \$75,000 were purchased in partial satisfaction of the 1970 requirements; the balance of \$83,000 is included in accounts payable and accrued liabilities.

Note 7 — RESTRICTIONS UPON PAYMENT OF DIVIDENDS: The Trust Agreements relating to the series A and B debentures contain certain restrictions upon the payment of dividends. At December 31, 1969, consolidated retained earnings of approximately \$1,126,000 were available for distribution.

Note 8 — STATEMENT OF INCOME: During the year, the company revised its accounting treatment with respect to revenue and expenditure related to certain long-term contracts, with the result that amounts formerly included with sales have now been credited to expenses. This change has no effect on net earnings. For comparison purposes, prior year's amounts have been restated.

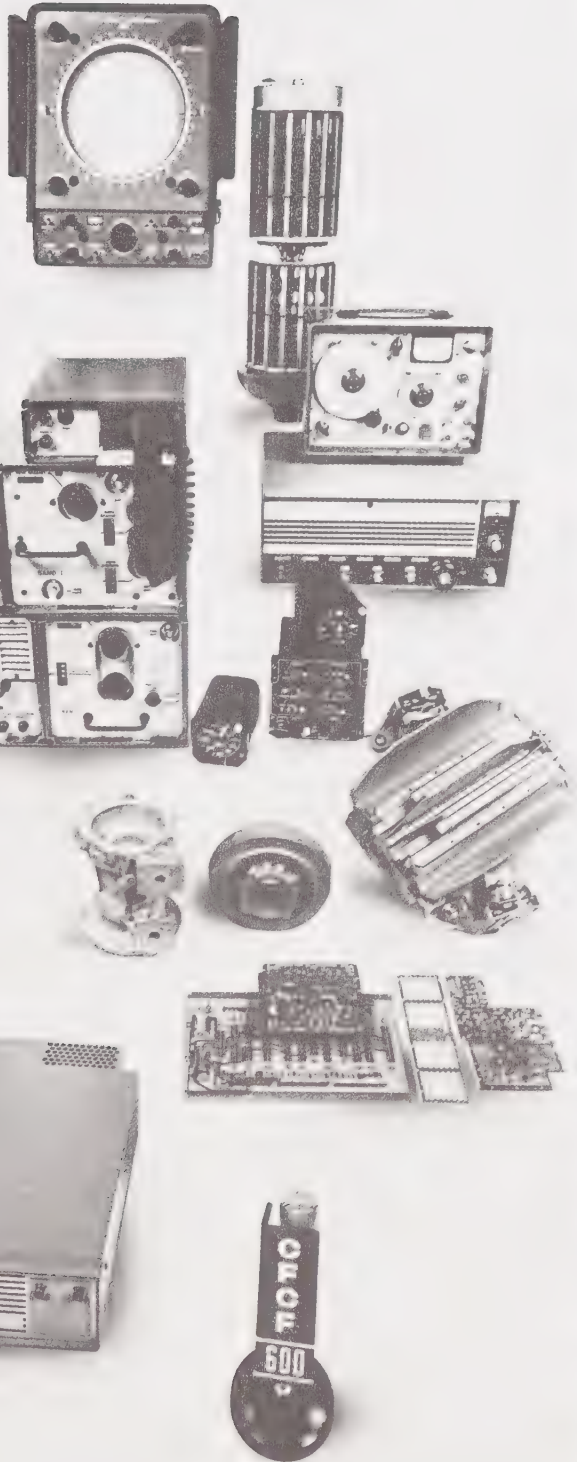
Note 9 — INTEREST: Interest expense includes \$566,613 on long-term debt.

Note 10 — DIRECTORS' REMUNERATION: Income from operations is stated after charging remuneration of directors and of officers who are directors — \$126,193.



The data processing centre. P. D. Whirlfield, Supervisor Computer Services.

OPERATING DIVISIONS PRODUCTS AND SERVICES



AVIONICS DIVISION ✓

K. C. M. GLEGG
Vice President

Engineering, manufacturing and marketing of airborne Doppler sensors, navigation and tactical computers and indicators and altimeters.



BROADCASTING DIVISION

D. W. G. MARTZ
Vice President

Operates TV station CFCF-TV, radio stations CFCF-AM, CFQR-FM and CFCX-SW, in Montreal. Produces programs and commercials.



MARINE & LAND COMMUNICATIONS DIVISION

H. A. HAMILTON, Ph.D.
Vice President

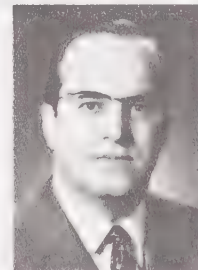
Engineering, manufacturing and/or marketing of mobile two-way radio and associated base station equipment; hand held portables and pocket paging units; broadcast and television station equipment; industrial and educational closed circuit television; electronic test instruments; marine radar; loran; depth sounders, fish finders and sonar; AM and VHF-AM marine radio telephones; single sideband radio; systems planning, construction, installation and maintenance.



SPECIAL SERVICES DIVISION

R. MacLEOD
Vice President

Installs radar, communications and air navigation equipment and systems, and operates defense communications and detection systems, a defense radar maintenance depot, a diesel engine generator overhaul depot, and a test equipment repair and calibration laboratory.



SPECIALIZED COMPONENTS DIVISION

F. R. REEVES
Vice President

Manufacturing of printed circuit boards and precision castings



TELECOMMUNICATIONS DIVISION

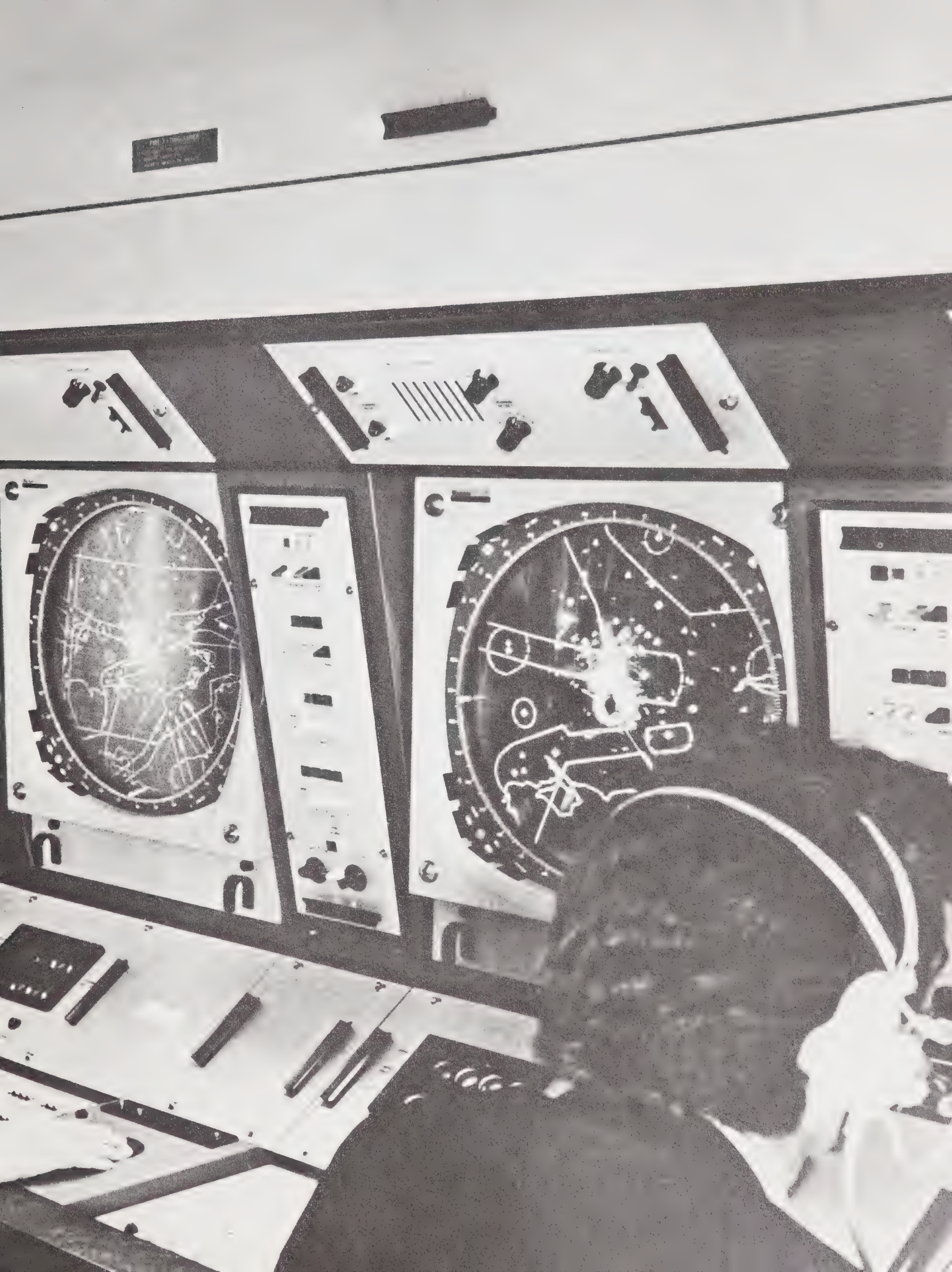
J. W. DODDS, Ph.D.
Vice President

Engineering, manufacturing, and marketing of commercial and military land-based microwave communications equipment, and associated supporting test equipment.

**the
growing
world
of
CANADIAN
MARCONI**

Display positions of the S600 series ground based radar in a manual operations cabin. Photograph: The Marconi Company, England.









An NF-5 streaks skyward; its pilot guided by a CMC airborne Doppler navigation system. Photograph: Canadair.

AVIONICS

In 1969 improvements in the meeting of target costs and schedules, together with improvement in equipment performance and quality, have all contributed to a successful year in spite of the general tightening up of defence spending in North America. The Division increased its selling activities in foreign markets and succeeded in obtaining sizeable orders from European governments.

In 1969 Avionics became a division with profit responsibility for exploiting opportunities in both military and commercial aviation markets for advanced electronic systems. While maintaining its strong position of technical competence in its military markets, the Division will penetrate the faster growing commercial markets by utilizing military technology and products for commercial applications.

While we are continuing to retain our world leadership in airborne doppler navigation systems, development diversification in new but allied fields such as altimetry and area navigation is now underway. This development effort, coupled with the acquisition of complementary products and design from the GEC-EE group, will ensure this Division an important future stake in this growth area.

BROADCASTING

1969 was a special year as CFCF celebrated its 50th anniversary as the world's first radio station to broadcast on a regular basis. 1969 radio programming featured replays of some best remembered shows. The Division spearheaded Canada's coast-to-coast participation in Golden Anniversary Week of Radio. The Radio Department's stereo FM station, CFQR, commanded one of the largest audiences in the growing FM market.

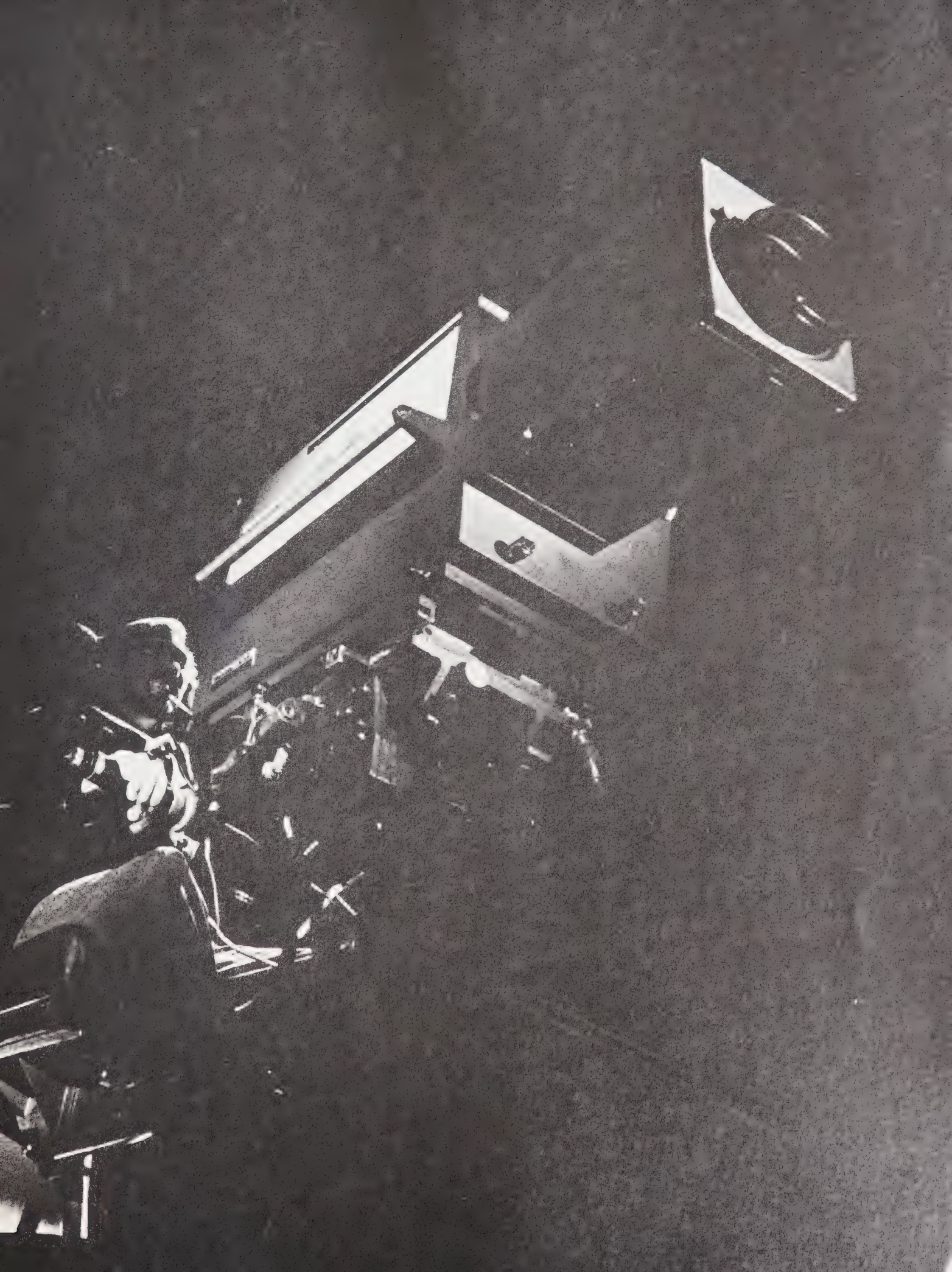
CFCF television continued as the dominant English station in the Montreal market and revenues for airtime increased.

The success of Marconi Productions, a separate CFCF-TV Department, formed late in 1968 to handle the ever-increasing production of commercials and programmes for network and selective station sale, is indicated by a substantial revenue increase. Its commercials won top awards at the Canadian Television Commercials Festival. In the 1969 fall season, this group produced four programme series for distribution to CTV Network stations: Doctor's Diary, People in Conflict, Magistrates Court and a musical variety, *Le Caf Conc'*.

As in the past, the Broadcasting Departments maintained a high degree of community service involvement, including airtime commitments to service clubs and charitable organizations, and the presentation of an eight-programme series on water, noise and air pollution.

The Marconi Company, Mark VII colour camera in action at CFCF-TV. Left to right: M. Abraham, Crane Operator and M. Caisse, Cameraman





MARINE & LAND COMMUNICATIONS

During 1969 the Division extended its penetration in Canada, the United States and in export markets around the world. Product lines were broadened to ensure a continuation of attractive, competitive and high-quality products for the market place.

In land communications, its largest single product market, the Division introduced its new Series 80 solid state mobile line. Customer reaction to this advanced communication product spearheaded the land product sales increase of some 25%.

The Division obtained a larger share of the marine communications market. It took special pride in having equipped the ice-breaker, John A. Macdonald, (that escorted the S.S. Manhattan on its historic conquest of the Northwest Passage) with radio communications and some of its navigation equipment.

With new lines added, electronic instrument sales increased by 40%.

Major action was taken in 1969 to consolidate and strengthen operations in Kaar Electronics Corporation, the Division's U.S. subsidiary. Management and administrative functions have been centralized in Montreal and integrated with Canadian operations. It is now in a much stronger position for penetrating the U.S. markets.

CMC mobile communications play a vital role in transportation operations.









The pulse transformer rewind and test facility. Left to right: D. C. M., R. B. O. and Fabrication and J. D. C. Boulbee. Applications Engineering

SPECIAL SERVICES

During the year Special Services Division maintained a good volume of work and the budgeted expectations were exceeded.

In mid-year, responsibility for maintenance of the northern section of the Adcom Project was taken over from the Telecommunications Department, and prospects are good for a continuation of these services through 1970. Also as a result of reorganization, responsibility for calibration of all Company owned test equipment was taken over by the Division and plans are well underway for installation of an approved Standards Laboratory. Efforts to expand the volume of the Test Equipment Repair and Calibration Section are continuing and a new centre was opened in the Company's premises at Halifax.

Our Marketing group, organized during the early part of the year, to pursue sources of new work in the Commercial, as well as Government fields, has developed several encouraging prospects. Joint proposals with the product divisions are being actively pursued. Orders received covered work for rewinding and repair and overhaul of very large radar pulse transformers; communications parametric amplifiers for troposcatter receiver systems; specialized radar relay lines; overhaul of sonar systems, projectors and hydrophones; and a varied mix of commercial control systems.





SPECIALIZED COMPONENTS

The Specialized Components Division which was formed recently is responsible for manufacturing and marketing printed circuit board and precision castings.

During the past five years, the high-density packaging requirements in sophisticated military electronic systems have become severe. In the process of designing such systems in the avionics and telecommunications fields, we have established in-house facilities for the design and manufacture of multi-layer printed circuit boards and precision investment castings. The capabilities of these facilities have been proven through the success of our advanced avionics and telecommunications products.

Early in 1969 market surveys indicated a rapidly growing demand for state-of-the-art capability in these fields and the decision was made to exploit our expertise in the external markets. The interest displayed by several important customers and the market data collected from them already confirm the promising growth potential for this Division.

Left to right: R. Rheault, L. Brisson and R. Culp

TELECOMMUNICATIONS

1969 was a year of significant achievement for Telecommunications. Sales and profits were at record levels. Current bookings will lift the Division to new records again in 1970.

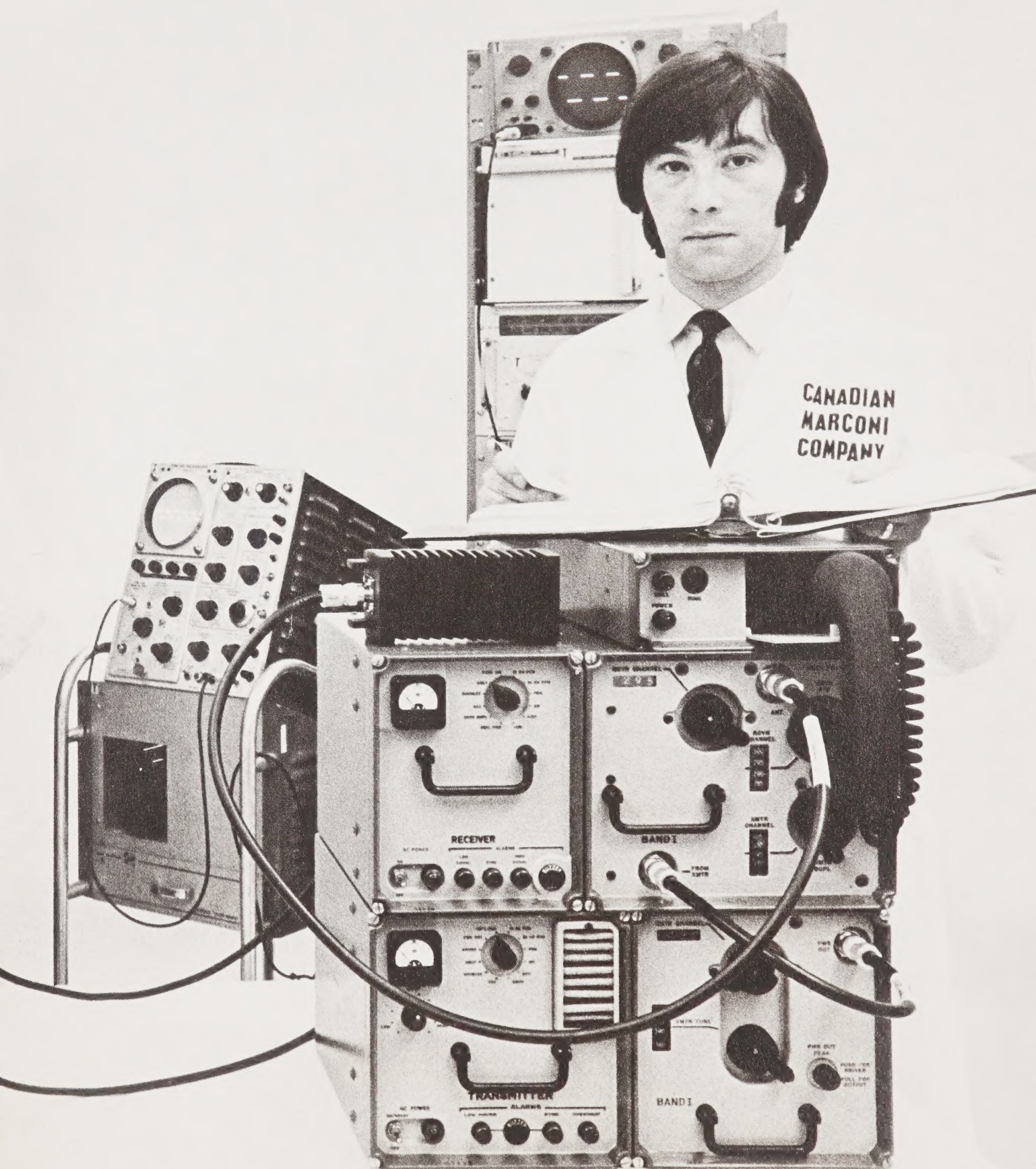
The AN/GRC-103 military radio relay set and its associated accessories and test equipments continued to prove their reliability and versatility. During the year, the latest versions of this equipment were demonstrated in 20 countries throughout the world. Record sales were achieved during the year with the U.S. Government — the largest customer — purchasing over 1,000 equipments.

Tactical military radio relay equipment will continue to be one of the mainstays of the Division's future growth and profitability.

Recently established as a Division, Telecommunications has already initiated its diversification plans to re-enter the commercial markets of the world for telecommunications equipment and systems. A breakthrough in pulse code modulation by the Division's research and development team, coupled with an in-depth market research study, have launched the Division on a development programme for its new MCS-6900 Microwave Communications System. This will enable the Division to exploit the large potential in the world's telecommunications market.

Military radio relay set AN/GRC-103 with test facility (foreground) and microwave communications system MCS 6900. Left to right: Research and Development engineers, D. Frew and C. M. Phillips.





CANADIAN
MARCONI
COMPANY

RECEIVER

BAND I

TRANSMITTER

BAND I

CANADIAN MARCONI COMPANY 67 TH ANNUAL REPORT 1969



CANADIAN MARCONI COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30
(Unaudited)

	1969	1968
SALES AND REVENUES	<u>\$43,170,000</u>	<u>\$36,288,900</u>
Income from Operations before undernoted items	\$ 4,209,672	\$ 3,787,602
Less: Research and development	1,609,034	1,779,667
Depreciation	1,032,572	1,206,389
Interest	976,545	876,140
NET PROFIT/(LOSS)	<u>\$ 591,521</u>	<u>(\$ 74,594)</u>

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

SOURCE OF FUNDS:

Net Profit	\$ 591,521	\$ —
Depreciation	1,032,572	1,206,389
	<u>\$ 1,624,093</u>	<u>\$ 1,206,389</u>

APPLICATION OF FUNDS:

Net loss	\$ —	\$ 74,594
Dividends	—	297,160
Additions to fixed assets (net)	573,943	779,290
Increase in working capital	1,050,150	55,345
	<u>\$ 1,624,093</u>	<u>\$ 1,206,389</u>

TO THE SHAREHOLDERS

Results during the first half of 1969 show improvement over the first six months of 1968. Sales volume increased by almost 19% and a net profit of \$591,000 was earned versus a loss of \$74,000 in 1968. The Company's backlog of business as at June 30, 1969 continues at more than \$40 million.

During this period, funding of 58 of the first option of 144 units on the F-111D programme was made available and the balance was cancelled. The results for the period reflect a provision for this change.

Mr. S. M. Finlayson relinquished the position of Chief Executive Officer on June 30, 1969, remaining as Chairman of the Board. Mr. L. M. Daley who has been President since 1967 was appointed President and Chief Executive Officer of the Company, effective July 1, 1969. Mr. C. W. Perry was appointed Vice-President — Corporate Affairs in addition to his office as Secretary of the Company, also effective July 1, 1969.

Owing to a change in banking arrangements, The Royal Bank of Canada was appointed the Company's bankers on May 14, 1969.

Subject to the approval of the Canadian Radio-Television Commission for the transfer of its broadcasting licences, the Company has accepted an offer from Bushnell TV Co. Ltd. of Ottawa to purchase the business of its Broadcasting Division.

Notwithstanding the improvement in the results of the first half of the year, the Directors decided not to pay a semi-annual dividend.

On behalf of the Board of Directors.

Chairman

Montreal, Quebec
July 30, 1969.

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PRODUCTS AND SERVICES

Broadcasting Division

Television and Radio broadcasting of entertainment, education and information over CFCF-TV, Channel 12, CFCF-AM (600 kc.), CFQR-FM (92.5 mc.), CFCX-SW (6005 kc.), Montreal. Producers of programs. Producers of commercials.

Commercial Products Division

Airborne Doppler sensors for fixed and rotary wing aircraft. Airborne computers and indicators for navigational and tactical use. Altimeters. Tactical radio relay equipment. Repair and overhaul facilities for all products. System engineering of navigation and communications systems.

Marine & Land Communications Division

High frequency AM and single sideband; very high frequency and ultra high frequency FM radiotelephone equipment. Selective and tone calling units. Television transmitters, cameras and associated apparatus. Direction finders. Echo sounders. Fish finders. Loran. Marine radar. Precision electronic test instruments and industrial control systems.

Special Services Division

Repair and Overhaul of large fixed radar systems, communications and air navigation equipment and systems, from depots in Montreal and St. John's, Nfld. Installation, maintenance and operation of commercial and defence communications systems including diesel engine power generation. Test equipment repair and calibration service, Montreal, Halifax and St. John's.

CANADIAN MARCONI COMPANY

2442 TRENTON AVENUE, MONTREAL 301, P.Q.
and its wholly owned subsidiary KAAR ELECTRONICS CORPORATION



INTERIM REPORT

FIRST HALF 1969



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CANADIAN MARCONI COMPANY

THE FIRST NAME IN RADIO-ELECTRONICS

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